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Presenting 40 Hot Front End Products—Page 52

PROFITABLE FACTS, TRENDS, IDEAS, PRODUCTS FOR THE GROCERY INDUSTRY

Supermarket Business

FORMERLY SUPERMARKETING

RECEIVED FEB 11 1980

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FEBRUARY 1980

YOUR LAST CHANCE to impress the shopper is at front end. Attractiveness and an open, relaxed atmosphere leave her in a pleasant frame of mind, rather than irritated with you. See page 48.

Million-Dollar Market At Stake

To Cash In on Scanning Data, First Tighten Your Operation

by Elise Marton, associate editor

In the minds of many, data is the primary benefit of scanning. It's a powerful marketing tool, and a salable commodity. But to be truly valuable, it's got to be complete and accurate, as the two stories that follow indicate.

HAUPPAUGE, N.Y.—A scanning system that reads 100 percent of the UPC symbols passed over it?

This may sound like pie in the sky to the harried scanning director still trying to figure out where that funny little clank in his new system is coming from. But it need not be considered unreachable.

Careful analysis of the bar codes that appear on the merchandise you carry is the first step toward improving the "read" rates at your scanning stores. This, plus systematic communication with manufacturers whose UPC symbols are falling short, can lead eventually to an environment virtually free of "no-scans" which waste your cashiers' time and weaken the body of data your system collects.

How many UPC codes on supermarket shelves today are unreadable? Estimates vary, from under one percent to an alarming seven percent. But, in the words of one source contacted by SUPERMARKET BUSINESS, "Even just two percent of a lot, is *a lot*, especially if that includes symbols on high-volume products."

Spokesmen at Symbol Technologies, Inc., located here, are among the least optimistic observers of the problem. In a detailed study of over 20 stores in a dozen or so chains, they found that from three to seven percent of all coded items were unreadable. The composite average was around five percent.

Symbol Technologies is a firm which

■ *Continued on page 50*

NEW YORK CITY—The buying and selling of scanning data is quickly turning into a multi-million dollar a year business. How can a scanning store cut itself in on a piece of the action? It can start by demonstrating to potential buyers that it is a tight, disciplined operation.

Only if a store can show its data to be reliable and complete will the major data buyers consider doing business. Lax procedures at store level, or a system fraught with "bugs" that have yet to be worked out, will turn a potential buyer away.

These impressions were gleaned by SUPERMARKET BUSINESS during conversations with spokesmen at four major data collection organizations: A.C. Nielsen, TRIM (Tele-research Item

■ *Continued on page 42*

Promoting Beef Family Packs, Subprimals Can Boost Volume

by Peter Jauquet, associate editor

COLUMBUS, Ohio—Now is the time to step up promotion of vacuum-packed beef subprimals and combination family packs from the meat counter.

Reason? Consumers are learning the savings of $1 or more per pound these bulk packs offer can make a big difference in their monthly food bills, retailers say.

Take the example of S.M. Flickinger Co. here. George Butts, meat merchandise manager, says sales of 10-or-so-pound vacuum packs have jumped 300 to 400 percent in the past 12 months.

This Flickinger division used to move only about 10 boxes per week through meat cases. Now movement is 40 to 50 boxes of subprimals per week.

Other firms contacted by SUPERMARKET BUSINESS report similar consumer recognition of vacuum packs' and item-combination packs' value.

Developments in meat advertising and promotion include:

■ Heavier display of chicken and pork;

■ More frequent features on turkey and turkey parts;

■ Highlighting of a different meat group, via feature prices, from week to week.

What about meat economics and con-

■ *Continued on page 25*

Supers Tell How To Succeed With High-Ticket GM

by Joe Allen, general merchandise editor

LUBBOCK, Tex.—A $10,000 diamond ring sold in a supermarket? Color televisions offered in the same store as meat and produce? Microwave ovens, clock radios, and hair dryers on sale next to batteries, film and socks? Some supermarket owners are answering with a resounding "Yes!" Others remain skeptical.

If supermarkets can create a positive high-ticket image, provide maintenance on the products they sell, and are willing to advertise, they can bolster sales of high-priced general merchandise and health and beauty aids that are avoided by most grocery retailers.

Having adequate space to properly merchandise such items as appliances, electronic games, and fine fragrances can also help make high-ticket GM/HBA successful.

Some stores around the country have overcome their initial fears of tying up inventory and space on more expensive goods and are now making vigorous efforts to draw customers to these high-priced lines.

Furr's (Lubbock, Tex.), Von's (El Monte, Calif.) and Schnuck's (Bridgeton, Mo.) are among stores enjoying suc-

■ *Continued on page 11*

CFDA Retailers Plan to Add 13% More Stores in 1980

by Bruce Buckley, editor and Robert A. Leibson, market research director

NEW ORLEANS—With construction costs and interest rates climbing to the stratosphere, the smart strategy for expansion-minded supermarket companies is to play a waiting game. Right?

Not according to the results of a comprehensive study undertaken by SUPERMARKET BUSINESS for presentation here at last month's annual convention of the Cooperative Food Distributors of America.

The results showed that, despite the gloomy construction climate, 1980 will be a big year for building, acquisitions and remodeling among CFDA's retailer members.

SB's study is the largest one ever undertaken involving the operations and attitudes of supermarkets serviced by cooperatives. Twenty co-ops from every area of the U.S. took part along with CFDA in SB's research efforts.

The 358 responding retail companies projected that the 717 stores they now operate will increase by 93 during 1980 as a result of new construction or acquisitions.

The survey showed that the highest growth rate will take place in the area of warehouse stores. Retailers forecast that the 34 outlets they operated at the end of 1979 will increase by 13 this year—a jump of 38.2 percent.

Also slated for a strong expansion rate are limited assortment stores,

■ *Continued on page 20*

BY YEAR-END 1980, CFDA Retailers Say . . .

11.5%
of their stores will be
NEW

15.8%
of their stores will be
REMODELED

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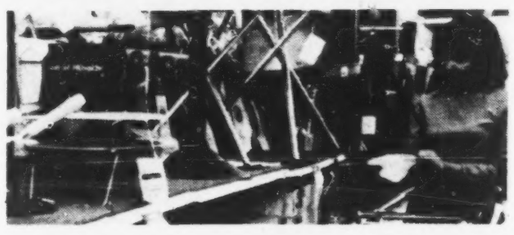

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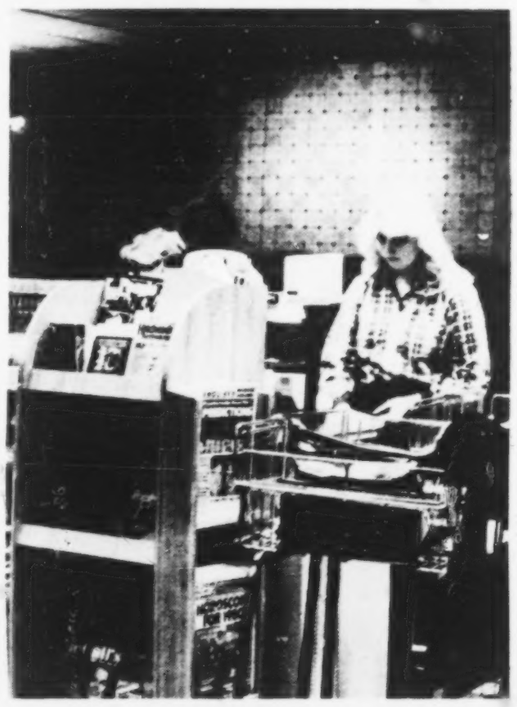

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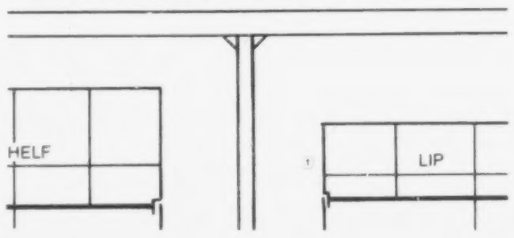

The Publisher's View

Do We Know Only The Tip Of Security Loss Iceberg?

by Howard Rauch

Two cliches that might appropriately describe estimates of shrink losses at grocery stores are "tip of the iceberg" and "scratching the surface."

Two years ago, SUPERMARKET BUSINESS took a shot at making estimates on just security losses. You may recall that we arrived at a conservative figure of $15,000 per store per year. This translated into the equivalent of many weeks of profit down the drain.

General reaction from some sources, however, suggested that $15,000 was really the tip of some monstrous iceberg. When we labeled our estimate as "conservative," we were being masters of understatement.

Then there was another camp contending that thieves are given credit for losses that fall more into the category of "shrink." Perhaps, therefore, the size of our security loss iceberg had been magnified.

Well, no matter which camp you reside in, I think we would agree on one point: Be it just security loss or the all-encompassing category of shrink, the tip of the iceberg in terms of known losses does require better definition.

This was brought home to me quite clearly when I attended Food Marketing Institute's loss prevention conference last month. Several security directors in attendance suggested that the data-gathering process related to cost of theft needs improvement.

For example, while some chains have a handle on number of shoplifters caught per store, others do not. Total losses sustained via sweetheart clerks, dishonest routemen, various forms of collusion and the like can be guessed at by some security people—but guessing isn't good enough, is it?

Until we improve our record-keeping systems dramatically, the tip of the iceberg will remain just a tip...and, as some security execs maintained, the "shrink loss" vs. security loss picture will stay cloudy.

Anyway, we do have the problem...and as I listened to discussions at the FMI session, I evolved a partial list of challenges pertaining to security loss:

- Recruit more employees as members of loss-prevention teams;
- Improve data collection systems related to various forms of theft and, if possible, develop a universal reporting process;
- Get more unions to join with management in cracking down on dishonest employees;
- Set stiff prosecution policies and apply them uniformly and consistently;
- Make more judges understand the need to impose stiff sentences on the guilty.

We are making strides in a number of the above areas, but progress is hardly widespread. Some encouraging news includes:

- Coming electronic innovations that will allow more retailers to stomp on passers of bad checks.
- The younger breed of independent is reportedly shaping up as less tolerant of theft losses than the old guard.
- More in-depth training of security personnel is under way.

There's lots more happening...but in any case, I think one resolution we might add to any list already drawn up for 1980 is to make stronger efforts to monitor shrink, security loss—call it what you will—at store level for the next six months.

Start now with a preliminary estimate of how bad—or good—you think things are. One chain asked its employees to list major causes of shrink; I believe the list ended up 86 items strong. It certainly helped clarify where more investigation was needed.

Six months from now, you can compare your estimates with reality, for better or for worse. The results may scare you to death. But at least you'll know what size iceberg really lurks beneath the waters, and just how much of your profits it is sinking into oblivion. ■

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CFDA Survey:

Warehouse Stores to Increase by 38% in 1980

■ *Continued from page 1*

which will increase from 36 to 43, up 19.4 percent; convenience stores, which will go from 94 to 111 units, up 18.1 percent; and "all other" outlets, a catch-all that includes conventional supermarkets, which will increase from 553 to 609 stores by the end of 1980—an increase of 10.1 percent.

Reflects Independents' Growth

The nearly 13 percent rise in total stores is strong evidence that the growth exhibited by independents in recent years is not losing any headway—even in a difficult market.

Moreover, the same companies indicated that they plan to remodel 128—or almost 18 percent—of those 717 stores this year.

Another way of considering those figures: Of the 810 stores projected by the end of 1980, 27.3 percent will have been built, acquired or remodeled during the year—a high proportion by industry standards.

The survey responses show that the expansion and changes are being carried out with full understanding of the obstacles.

Q. "How important are each of the following key issues facing you as you enter the 1980's?"

(Based on 329 Replies)

	% indicating "Very Important"
Increased profit squeeze	86.0%
Cost of energy	84.2
Cost of labor	81.2
Finding most profitable store format	66.0
Finding/training productive, honest employees	64.7
Competition from food chains	64.1
Soaring merchandise costs	59.9
Managing limited store space	56.8
More governnment regulations	51.1
Public relations	46.2
Merchandising	45.9
Advertising/promotion	41.9
Scarcity of capital	38.9
Security problems	38.3
Increasing competition from alternative format stores	30.7
Slow delivery/out-of-stocks	28.9
Intensifying union pressures	24.9
Pressure from consumers	22.5
Competition from fast food outlets	21.3
Nutrition	6.4

"Responses show that the expansion and changes are being carried out with full understanding of the obstacles."

Questionnaire after questionnaire listed construction costs, interest rates, energy costs and money and land availability as the big stumbling blocks.

One retailer summed up the attitude of many of his colleagues: "Basically (there are) the same types of problems as the last 10 years, but we will overcome them."

SB's survey asked the retailers to consider a wide-ranging series of questions—from scanning use to general merchandise growth and from critical supermarket issues to key wholesaler programs and services.

The results from the critical issues question were very similar to those obtained from a survey of 47 top chain executives published in SB's January issue. In fact, the first five issues rated as "very important" by the 329 retailers who responded to this question were the same as those in the chain survey—with only slight variations in order of importance.

It was the tough economic issues that again headed the list. "Increased profit squeeze," "cost of energy" and "cost of labor" came in first, second and third among the 20 issues that were considered. Each was called "very important" by more than 80 percent of the respondents.

The top three were followed by "finding most profitable store format," ranked as "very important" by 66 percent of the respondents, and "finding/training productive, honest employees," which received the nod from 64.7 percent.

"Competition from food chains," an issue that did not appear on the survey questionnaire sent to chain executives, was called "very important" by 64.1 percent of the CFDA respondents. It came in sixth.

Nutrition Finishes Last Again

Nutrition, as issue that will become

■ *Continued on opposite page*

Q. "How many stores do you plan to REMODEL in 1980? How many stores do you plan to BUILD and/or OPEN new in 1980?"

	Number of Stores	Percent of 1979 Stores	Percent of 1980 Stores
Total stores in 1979	717	100.0%	...
Total stores in 1980	810	...	100.0%
Number to be remodeled	128	17.9%	15.8%
Number to be built new	93	13.0%	11.5%

Note: By year-end 1980, 27.3% of the stores will be new, or remodeled in the past year.

Q. "How many of your stores had scanning in 1979? How many will have scanning by year-end 1980?"

	Number of Stores	Percent of 1979 Stores	Percent of 1980 Stores
Total stores in 1979	717	100.0%	...
Total stores in 1980	810	...	100.0%
Stores with scanning in 1979	55	7.7%	...
Stores with scanning in 1980	137	...	16.9%
Increase in number of scanning stores			+149.1%

Q. "What portion (%) of your HBA sales ($), and what portion (%) of your "other" General Merchandise sales ($) was accounted for by merchandise from each of the following sources in 1979? What portions (%) do you expect in 1980?"

	In 1979	Expected In 1980
Health and Beauty Aids (Based on 245 Replies)		
Own Warehouse	55.9%	60.5%
Rack Service	41.7	37.0
Direct from Manufacturer	2.4	2.5
	100.0%	100.0%
Other General Merchandise (Based on 214 Replies)		
Own Warehouse	46.0%	47.6%
Rack Service	50.9	49.3
Direct from Manufacturer	3.1	3.1
	100.0%	100.0%

Q. "What portion of your total store sales ($) did General Merchandise (including HBA) account for in the years listed?"

	1978	1979	1980*
Average Store Sales	$2,714,600	$3,048,500	$3,402,130
% Change from previous year	...	+12.3%	+11.6%
General Merchandise Sales	$247,030	$286,560	$336,890
% Change from previous year	...	+16.0%	+5.1%
General Merchandise as** % of Total Store Sales	9.1%	9.4%	9.9%

* Expected
** Includes HBA

Q. "What portion (%) of your TOTAL SECURITY LOSS in 1979 was accounted for by each of the following?"

(Based on 260 Replies)

	Percent of Total Security Loss in 1979
Shoplifting	43.0%
Bad checks	28.8
Employee theft	15.3
Vendor Theft	7.3
Burglary/Robbery	3.8
Counterfeit Money	0.2
Counterfeit credit cards	0.1
All others	1.5
Total	100.0%

Q. "Do you plan to increase your Security Personnel in 1980?"

(Based on 358 Replies)

	Number of Replies	Percent of Response
Yes	80	28.8%
No	278	71.2
Total	358	100.0%

CFDA Survey:
Shoplifting No. 1 In Security Loss

■ *Continued from opposite page*
increasingly important when tougher food labeling regulations are finally hammered out this year, had the dubious distinction of coming in last, just as it did in the chain execs' survey. Only 6.4 percent of the 329 CFDA retailer members who responded to this question thought nutrition was "very important."

Also ranked low were "competition from fast food outlets" (rated "very important" by 21.3 percent); "pressure from consumers" (22.5 percent); and "intensifying union pressures" (24.9 percent).

"Chain executives surveyed last month gave much greater weight to employee theft and vendor theft as causes of security losses."

In the survey's security section, shoplifting heads the list of loss factors. According to the findings, 43 percent of total security losses came from this source. This is followed by bad checks (28.8 percent of security losses), employee theft (15.3 percent), and vendor theft (7.3 percent).

In contrast, the chain executives surveyed last month gave much greater weight to employee theft and vendor theft as causes of security losses. In fact, employee theft ran neck and neck with shoplifting as the prime source.

On the other hand, bad checks were a greater loss factor among the co-op retailers than the chains (28.8 vs. 16.7 percent).

This shows the need for the smaller co-op retailers to toughen their check-cashing procedures. And, in fact, many of them remarked that they planned to do just that.

Following the national trend, SB's survey disclosed a steady increase in the percentage of total store sales accounted for by general merchandise and health and beauty aids.

In 1978, GM/HBA made up 9.1 percent of average store sales. Last year the figure had climbed to 9.4 percent. By the end of 1980, projections

■ *Continued on next page*

CFDA Survey:

Scanning Stores Will Jump by 149% This Year

■ *Continued from preceding page*

showed, GM/HBA will account for 9.9 percent of total sales.

The survey sample ranged from small, single-store operators to one 20-store chain, and, of course, the heaviest GM/HBA growth is taking place among the larger operations.

The study also showed that more of these retailers will be relying on their own warehouse to supply them with HBA products this year. According to the findings, the retailers expect that the source of 60.5 percent of the 1980 HBA sales will be their own warehouses, compared to 55.9 percent last year. The survey shows that these sales will be pulled away from service merchandisers, who are expected to be the source of 4.7 percent less HBA volume this year.

Scanning to Jump 149%

The SB survey also indicates that scanning will make a great leap forward this year in these CFDA retailer stores. The number of outlets equipped with scanning will jump from 55 to 137—an increase of 149.1 percent.

Of the 810 stores that will be in operation by year-end 1980, 16.9 percent will be scanner-equipped. Virtually all of the growth will take place in stores with larger volumes. ■

Q. "How important are each of the following WAREHOUSE services/programs?"

(Based on 358 Replies)

	% Indicating "Very Important
Perishables merchandising program	69.0%
Complete PRIVATE LABEL line	68.7
Boxed beef program	59.5
Store set-up/re-set service	57.0
Complete equipment/fixtures procurement program	54.7
Financing assistance program	53.9
Full service insurance program	50.3
Full-service GM/HBA program	49.2
Complete STANDARD GRADE line	45.0
Grocery merchandising and inventory control program	43.6
Complete retail accounting program	42.5
Energy cost control/conservation program	38.0
Full scanning support system	31.3
Training program for retail store employees	28.5
Complete GENERIC line	11.5

Q. "How many of each of the following types of stores did you operate at year-end of 1979? How many will you operate by year-end 1980?

	Number of Stores year-end 1979	Number of Stores year-end 1980	Percent of Stores year-end 1979	Percent of Stores year-end 1980	% Change in number of Stores
Limited assortment stores	36	43	5.0%	5.3%	+19.4%
Warehouse stores	34	47	4.8	5.8	+38.2
Convenience Stores	94	111	13.1	13.7	+18.1
All Other	553	609	77.1	75.2	+10.1
Total	717	810	100.0%	100.0%	+13.0

Q. "Did you carry GENERIC ITEMS IN 1978? in 1979? Will you carry GENERIC ITEMS in 1980?"

(Based on 346 Replies)

	Percent of Respondents In 1978	In 1979	In 1980*
Yes	12.1%	19.4%	20.2%
No	87.9	80.6	63.6
Not Sure	0.0	0.0	16.2
	100.0%	100.0%	100.0%

* Expected

Q. "When taking on or increasing the amount of GENERICS you carry, which of the following is affected MOST?"

(Based on 191 Replies)

	Number of Replies	Percent of Response
Standard Grades	81	42.4%
Private Labels	65	34.0
National Brands	53	27.7
	*	*

* Adds to more than 100% due to multiple replies

Q. "Do you view PRIVATE LABEL as a competitive response to the GENERIC movement?"

(Based on 332 Replies)

	Number of Replies	Percent of Response
Yes	188	56.6%
No	144	43.4
	332	100.0%

Q. "Do you view STANDARD GRADE LABELS as a competitive response to the GENERIC movement?"

(Based on 321 Replies

	Number of Replies	Percent of Response
Yes	203	63.2%
No	118	36.8
	321	100.0%

Characteristics of the Sample

Replies from 358 companies operating serviced by 20 CFDA members.	717 stores
Total 1979 sales for responding companies	$2.186 billion
1979 Total sales per store annual	$3,048,500
per week	$ 58,625
Size (sq. ft.) of average responding store	13,806 sq.ft.
Weekly sales per square foot of average responding store	$ 4.25